

CITY OF OAKLEY, KANSAS
Oakley, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2007

CITY OF OAKLEY, KANSAS
Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2007

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Oakley
Oakley, Kansas 67748

We have audited the accompanying financial statements of the **City of Oakley, Kansas**, as of and for the year ended December 31, 2007 as listed in the table of contents. These financial statements are the responsibility of the **City of Oakley, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the **City of Oakley, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **City of Oakley, Kansas**, as of December 31, 2007, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **City of Oakley, Kansas**, as of December 31, 2007, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 21, 2008

CITY OF OAKLEY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2007

Funds	Beginning Unencumbered Cash Balance	Prior Period Restatement	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Funds:								
General Fund	\$ 2,544,579	(20,772)	-	1,168,392	3,489,661	202,538	35,874	238,412
Special Revenue Funds:								
Employee Benefits Fund	(26,809)	-	-	252,852	226,913	(870)	159	(711)
Library Fund	822	-	-	124,649	123,550	1,921	-	1,921
Special Highway Fund	16,403	(2,929)	-	133,019	142,283	4,210	2,865	7,075
Special Parks and Recreation Fund	5,139	-	-	3,030	216	7,953	-	7,953
Convention and Tourism Fund	12,869	-	-	32,242	16,357	28,754	98	28,852
Equipment Reserve Fund	51,072	-	-	20,445	50,685	20,832	-	20,832
Capital Improvement Fund	51,980	-	-	2,500,000	-	2,551,980	-	2,551,980
Debt Service Fund:								
Bond and Interest Fund	10,979	-	-	89,595	91,208	9,366	-	9,366
Enterprise Funds:								
Water Utility Fund	90,617	(3,882)	-	284,322	276,701	94,356	12,190	106,546
Water Reserve Fund	41,405	-	-	(21,064)	-	20,341	-	20,341
Electric Utility Fund	265,661	(3,253)	-	224,956	280,093	207,271	7,898	215,169
Electric Reserve Fund	99,250	-	-	61,746	-	160,996	-	160,996
Sanitation Utility Fund	28,304	(4,354)	-	354,926	300,246	78,630	10,452	89,082
Sanitation Reserve Fund	32,744	-	-	32,260	22,000	43,004	-	43,004
Trust and Agency Funds:								
Trust and Agency Funds:	177,269	-	-	63,451	54,436	186,284	105	186,389
Total Primary Government	3,402,284	(35,190)	-	5,324,821	5,074,349	3,617,566	69,641	3,687,207
Component Unit - Library								
Library - General Fund	101,075	(2,761)	-	142,100	123,783	116,631	-	116,631
Library - Capital Improvement Fund	31,185	-	-	10,560	-	41,745	-	41,745
Library - Flexible Spending Plan Fund	3,034	-	-	6,430	7,580	1,884	-	1,884
Edna M. Hood Estate Bequest Fund	80,000	-	-	4,192	4,192	80,000	-	80,000
Total Component Unit - Library	215,294	(2,761)	-	163,282	135,555	240,260	-	240,260
Total Reporting Unit	\$ 3,617,578	(37,951)	-	5,488,103	5,209,904	3,857,826	69,641	3,927,467

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2007

Composition of Cash:**Certificates of Deposits:**

Farmers State Bank	\$ 3,235,208
The Bank	112,509
Peoples State Bank	188,705

Checking Accounts:

Farmers State Bank	140,498
The Bank	8,987
Farmers State Bank - Petty Cash	<u>1,000</u>

Bank Balance	3,686,907
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Cash on Hand	<u>300</u>
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Total Primary Government	3,687,207
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Total Component Unit - Library	<u>240,260</u>
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Total Reporting Entity	\$ <u><u>3,927,467</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2007

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Funds:					
General Fund	\$ 3,364,576	103,888	3,468,464	3,489,661	(21,197)
Special Revenue Funds:					
Employee Benefits Fund	246,600	-	246,600	226,913	19,687
Library Fund	123,550	-	123,550	123,550	-
Special Highway Fund	145,700	-	145,700	142,283	3,417
Special Parks and Recreation Fund	5,828	-	5,828	216	5,612
Convention and Tourism Fund	16,000	-	16,000	16,357	(357)
Debt Service Fund:					
Bond and Interest Fund	114,000	-	114,000	91,208	22,792
Enterprise Funds:					
Water Utility Fund	265,765	8,313	274,078	276,701	(2,623)
Electric Utility Fund	2,394,906	-	2,394,906	280,093	2,114,813
Sanitation Utility Fund	314,530	-	314,530	300,246	14,284

CITY OF OAKLEY, KANSAS

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 367,207	404,864	407,785	(2,921)
Delinquent Tax	5,536	4,023	-	4,023
Vehicle Tax	67,041	64,042	58,712	5,330
Sales Tax	156,231	172,715	125,000	47,715
Excise Tax	71	64	-	64
Total Taxes	596,086	645,708	591,497	54,211
Intergovernmental				
Alcohol-Liquor Distribution	3,033	3,030	2,900	130
FEMA Funds	-	639	500	139
FAA Grant	22,204	99,225	-	99,225
Total Intergovernmental	25,237	102,894	3,400	99,494
Licenses and Permits				
Franchise Fees	44,004	95,470	30,000	65,470
Permits and Inspections	3,835	2,710	1,000	1,710
Dog Tags and Fees	815	810	200	610
Total Licenses and Permits	48,654	98,990	31,200	67,790
Charges for Services				
Sale of Cemetery Lots	3,639	3,915	1,200	2,715
Fines, Forfeitures, and Penalties				
Municipal Court	22,847	23,647	15,000	8,647
Use of Money and Property				
Swimming Pool	26,656	25,304	24,000	1,304
Fire Station Rent	-	-	1,200	(1,200)
Interest on Investments	28,502	157,568	7,000	150,568
Jail Rent/Dispatch/Prisoner Care	70,565	77,628	70,500	7,128
Airport Revenue	5,175	5,154	5,000	154
Total Use of Money and Property	130,898	265,654	107,700	157,954
Miscellaneous				
Reimbursed Expense	9,136	4,836	7,500	(2,664)
DARE Program	50	-	500	(500)
Oil and Crop Revenue	6,419	9,224	3,000	6,224
Miscellaneous	5,028	3,724	3,000	724
Donations	26	-	-	-
Insurance Proceeds	11,521	3,800	-	3,800
Recreation Commission Contributions	6,000	6,000	6,000	-
Sale of Electric Plant	2,500,000	-	-	-
Total Miscellaneous	2,538,180	27,584	20,000	7,584
Transfers In	-	-	50,000	(50,000)
Total Cash Receipts Carried Forward	\$ 3,365,541	1,168,392	819,997	348,395

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Cash Receipts Brought Forward	\$ 3,365,541	1,168,392	819,997	348,395
Expenditures				
General Government				
Personal Services	55,030	96,717	54,400	(42,317)
Contractual Services	31,961	122,210	62,726	(59,484)
Commodities	74,880	43,130	49,500	6,370
Capital Outlay	-	6,000	1,000	(5,000)
Transfers Out	-	2,500,000	2,550,000	50,000
Total General Government	161,871	2,768,057	2,717,626	(50,431)
Police Department				
Personal Services	308,039	312,269	315,000	2,731
Contractual Services	11,325	11,586	11,700	114
Commodities	39,556	31,275	32,000	725
Capital Outlay	1,438	5,360	2,700	(2,660)
Transfers Out	10,000	-	10,000	10,000
Total Police Department	370,358	360,490	371,400	10,910
Fire Department				
Personal Services	11,520	8,641	11,000	2,359
Contractual Services	6,668	8,512	7,300	(1,212)
Commodities	3,289	5,504	8,700	3,196
Capital Outlay	3,883	-	1,000	1,000
FEMA Grant Expense	22,204	-	-	-
Transfers Out	29,780	-	29,800	29,800
Total Fire Department	77,344	22,657	57,800	35,143
Street Department				
Transfers Out	80,000	73,000	80,000	7,000
Parks & Cemetery				
Personal Services	79,467	90,278	67,000	(23,278)
Contractual Services	3,193	6,074	3,600	(2,474)
Commodities	24,901	26,245	29,400	3,155
Capital Outlay	474	-	10,000	10,000
Transfers Out	46,000	-	-	-
Total Parks & Cemetery	154,035	122,597	110,000	(12,597)
Airport Operations				
Contractual Services	6,942	8,498	7,000	(1,498)
Commodities	24,314	27,179	20,750	(6,429)
Capital Outlay	2,968	107,183	-	(107,183)
Total Airport Operations	34,224	142,860	27,750	(115,110)
Total Expenditures Carried Forward	\$ 877,832	3,489,661	3,364,576	(125,085)

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 877,832	3,489,661	3,364,576	(125,085)
Budget Credit (a)	-	-	103,888	103,888
Total Expenditures	877,832	3,489,661	3,468,464	(21,197)
Receipts Over (Under) Expenditures	2,487,709	(2,321,269)		
Unencumbered Cash, January 1 As Previously Stated	56,870	2,544,579		
Prior Period Adjustment	-	(20,772)		
Unencumbered Cash, January 1 As Restated	56,870	2,523,807		
Unencumbered Cash, December 31	\$ 2,544,579	202,538		

(a) Budget Credit

Excess Federal Grants over Amount Budgeted	\$ 99,384
Excess Insurance Proceeds and Miscellaneous over Amounts Budgeted	4,524
Total Budget Credit	\$ 103,888

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Employee Benefits Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 175,729	202,121	203,681	(1,560)
Delinquent Tax	2,388	1,781	-	1,781
Vehicle Tax	29,304	30,031	28,102	1,929
Excise Tax	31	29	-	29
Employee Insurance Contribution	11,508	16,146	10,800	5,346
Reimbursed Expense	1,560	2,744	-	2,744
Total Cash Receipts	<u>220,520</u>	<u>252,852</u>	<u>242,583</u>	<u>10,269</u>
Expenditures				
Social Security	38,039	41,460	42,000	540
Employee Retirement	19,982	25,279	24,000	(1,279)
Workmen's Comp. Insurance	19,707	35,912	20,000	(15,912)
Health Insurance	145,434	123,513	160,000	36,487
Unemployment Taxes	4,304	749	600	(149)
Total Expenditures	<u>227,466</u>	<u>226,913</u>	<u>246,600</u>	<u>19,687</u>
Receipts Over (Under) Expenditures	(6,946)	25,939		
Unencumbered Cash, January 1	<u>(19,863)</u>	<u>(26,809)</u>		
Unencumbered Cash, December 31	\$ <u>(26,809)</u>	<u>(870)</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Library Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 97,523	107,024	107,837	(813)
Delinquent Tax	1,323	1,004	-	1,004
Vehicle Tax	16,043	16,605	15,596	1,009
Excise Tax	18	16	-	16
Total Cash Receipts	<u>114,907</u>	<u>124,649</u>	<u>123,433</u>	<u>1,216</u>
Expenditures				
Appropriations	<u>114,205</u>	<u>123,550</u>	<u>123,550</u>	<u>-</u>
Receipts Over (Under) Expenditures	702	1,099		
Unencumbered Cash, January 1	<u>120</u>	<u>822</u>		
Unencumbered Cash, December 31	<u>\$ 822</u>	<u>1,921</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
State Aid	\$ 57,540	57,256	59,860	(2,604)
Employee Insurance Contribution	660	-	700	(700)
FEMA Funds	-	2,715	-	2,715
Reimbursed Expense	6,475	48	-	48
Transfers In	80,000	73,000	80,000	(7,000)
Total Cash Receipts	144,675	133,019	140,560	(7,541)
Expenditures				
Personal Services	60,104	56,837	78,000	21,163
Contractual Services	2,304	2,299	2,600	301
Commodities	65,785	83,078	65,100	(17,978)
Capital Outlay	79	69	-	(69)
Total Expenditures	128,272	142,283	145,700	3,417
Receipts Over (Under) Expenditures	16,403	(9,264)		
Unencumbered Cash, January 1, As Previously Stated	-	16,403		
Prior Period Adjustment	-	(2,929)		
Unencumbered Cash, January 1 As Restated	-	13,474		
Unencumbered Cash, December 31	\$ 16,403	4,210		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Special Parks and Recreation Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
Private Club and Liquor Tax	\$ 3,033	3,030	2,900	130
Expenditures				
Capital Outlay	522	216	5,828	5,612
Receipts Over (Under) Expenditures	2,511	2,814		
Unencumbered Cash, January 1	2,628	5,139		
Unencumbered Cash, December 31	\$ 5,139	7,953		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Convention and Tourism Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
Transient Guest Tax	\$ 23,475	32,242	16,000	16,242
Expenditures				
Commodities	14,297	16,357	13,000	(3,357)
Transfers Out	-	-	3,000	3,000
Total Expenditures	14,297	16,357	16,000	(357)
Receipts Over (Under) Expenditures	9,178	15,885		
Unencumbered Cash, January 1	3,691	12,869		
Unencumbered Cash, December 31	\$ 12,869	28,754		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Swimming Pool Lease Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Interest on Investments	\$ 1,310	-	-	-
Transfers In	43,589	-	-	-
Total Cash Receipts	44,899	-	-	-
Expenditures				
Lease Purchase Payment	92,475	-	-	-
Transfers Out	46	-	-	-
Total Expenditures	92,521	-	-	-
Receipts Over (Under) Expenditures	(47,622)	-		
Unencumbered Cash, January 1	47,622	-		
Unencumbered Cash, December 31	\$ -	-		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Self Insurance Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 25	-
Premiums and Reimbursements	28,954	-
Total Cash Receipts	28,979	-
Expenditures		
Contractual Services	36,847	-
Receipts Over (Under) Expenditures	(7,868)	-
Unencumbered Cash, January 1	7,868	-
Unencumbered Cash, December 31	\$ -	-

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 82,780	20,445
Expenditures		
Capital Outlay	132,111	50,685
Receipts Over (Under) Expenditures	(49,331)	(30,240)
Unencumbered Cash, January 1	100,403	51,072
Unencumbered Cash, December 31	\$ 51,072	20,832

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Capital Improvement Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 46,000	2,500,000
Expenditures		
Transfers Out	12,000	-
Receipts Over (Under) Expenditures	34,000	2,500,000
Unencumbered Cash, January 1	17,980	51,980
Unencumbered Cash, December 31	\$ 51,980	2,551,980

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Bond and Interest Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 40,881	16,056	16,107	(51)
Delinquent Tax	520	439	-	439
Motor Vehicle Tax	6,198	6,689	6,533	156
Excise Tax	9	6	-	6
Special Assessments	4,526	4,405	5,000	(595)
Transfers in	52,000	62,000	74,000	(12,000)
Total Cash Receipts	104,134	89,595	101,640	(12,045)
Expenditures				
Principal	40,000	45,000	45,000	-
Interest	53,797	46,208	54,000	7,792
Commissions	-	-	15,000	15,000
Total Expenditures	93,797	91,208	114,000	22,792
Receipts Over (Under) Expenditures	10,337	(1,613)		
Unencumbered Cash, January 1	642	10,979		
Unencumbered Cash, December 31	\$ 10,979	9,366		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Sales	\$ 247,714	250,879	240,000	10,879
Penalties	1,964	2,422	1,500	922
Service Connections	2,070	7,841	1,000	6,841
Water Taps	439	1,100	1,000	100
Use of Money and Property				
Interest on Investments	843	1,490	1,000	490
Water Tower Rent	2,750	3,400	3,000	400
Taxes				
Sales Tax	2,935	2,999	1,000	1,999
Miscellaneous				
Reimbursed Expense	9,491	5,324	-	5,324
State Water Protection Fee	6,020	5,878	6,000	(122)
Miscellaneous	1,113	2,989	-	2,989
Total Cash Receipts	<u>275,339</u>	<u>284,322</u>	<u>254,500</u>	<u>29,822</u>
Expenditures				
Water Production				
Contractual Services	6,700	9,914	42,500	32,586
Commodities	868	701	1,400	699
Capital Outlay	18,204	-	400	400
Total Water Production	<u>25,772</u>	<u>10,615</u>	<u>44,300</u>	<u>33,685</u>
Water Transmission & Distribution				
Personal Services	36,735	63,368	42,000	(21,368)
Contractual Services	14	1,285	15	(1,270)
Commodities	10,348	23,884	15,250	(8,634)
Capital Outlay	11,242	9,727	5,000	(4,727)
Total Water Trans. & Dist.	<u>58,339</u>	<u>98,264</u>	<u>62,265</u>	<u>(35,999)</u>
Water Commercial & General				
Personal Services	38,377	71,635	50,000	(21,635)
Contractual Services	7,073	37,256	5,500	(31,756)
Commodities	19,730	35,402	19,000	(16,402)
Capital Outlay	-	-	3,000	3,000
Total Water Commercial & Gen.	<u>65,180</u>	<u>144,293</u>	<u>77,500</u>	<u>(66,793)</u>
Non-Operating Expenses				
Transfers Out	40,000	15,000	70,000	55,000
State Water Fee & Sales Tax	10,046	8,529	11,700	3,171
Total Non-Operating Expenses	<u>50,046</u>	<u>23,529</u>	<u>81,700</u>	<u>58,171</u>
Total Expenditures Carried Forward	<u>\$ 199,337</u>	<u>276,701</u>	<u>265,765</u>	<u>(10,936)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Favorable (Unfavorable)
Total Expenditures Brought Forward	\$ 199,337	276,701	265,765	(10,936)
Budget Credit (a)	-	-	8,313	8,313
Total Expenditures	199,337	276,701	274,078	(2,623)
Receipts Over (Under) Expenditures	76,002	7,621		
Unencumbered Cash, January 1 As Previously Stated	14,615	90,617		
Prior Period Adjustment	-	(3,882)		
Unencumbered Cash, January 1 As Restated	14,615	86,735		
Unencumbered Cash, December 31	\$ 90,617	94,356		

(a) Budget Credit

Excess Reimbursed Expense
and Miscellaneous Revenues
over Amount Budgeted

\$ 8,313

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Water Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 2,463	3,936
Reimbursed Expense	696	-
Transfers In	25,046	(25,000)
Total Cash Receipts	28,205	(21,064)
Expenditures		
Transfers Out	83,589	-
Receipts Over (Under) Expenditures	(55,384)	(21,064)
Unencumbered Cash, January 1	96,789	41,405
Unencumbered Cash, December 31	\$ 41,405	20,341

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Electric Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2007

(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Sales	\$ 2,000,559	150,700	2,400,000	(2,249,300)
Penalties	14,584	1,748	12,000	(10,252)
Service Connections	7,724	-	7,000	(7,000)
Use of Money and Property				
Interest on Investments	2,781	4,061	2,000	2,061
Truck and Equipment Rental	825	-	-	-
Taxes				
Sales Tax	49,599	2	7,000	(6,998)
Miscellaneous				
Reimbursed Expense	14,524	12,462	12,000	462
Employee Insurance Contribution	4,390	1,476	3,400	(1,924)
Capital Credit Refunds	12,720	12,504	7,000	5,504
Miscellaneous	1,393	42,003	5,000	37,003
Total Cash Receipts	<u>2,109,099</u>	<u>224,956</u>	<u>2,455,400</u>	<u>(2,230,444)</u>
Expenditures				
Electric Production				
Personal Services	44,798	49,051	60,000	10,949
Contractual Services	1,147,461	25,056	1,419,000	1,393,944
Commodities	86,432	25,851	108,100	82,249
Capital Outlay	2,554	1,396	4,000	2,604
Total Electric Production	<u>1,281,245</u>	<u>101,354</u>	<u>1,591,100</u>	<u>1,489,746</u>
Electric Transmission & Distribution				
Personal Services	72,435	12,632	91,000	78,368
Contractual Services	4,135	1,488	5,200	3,712
Commodities	17,899	911	19,500	18,589
Capital Outlay	1,512	542	5,000	4,458
Total Electric Trans. & Dist.	<u>95,981</u>	<u>15,573</u>	<u>120,700</u>	<u>105,127</u>
Electric Commercial & General				
Personal Services	134,154	16,752	210,000	193,248
Contractual Services	9,931	66,538	5,000	(61,538)
Commodities	4,234	5,914	7,800	1,886
Capital Outlay	167	-	-	-
Total Electric Commercial & Gen.	<u>148,486</u>	<u>89,204</u>	<u>222,800</u>	<u>133,596</u>
Total Expenditures Carried Forward	\$ <u>1,525,712</u>	<u>206,131</u>	<u>1,934,600</u>	<u>1,728,469</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Electric Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 1,525,712	<u>206,131</u>	<u>1,934,600</u>	<u>1,728,469</u>
Non-Operating Expenses				
Transfers Out	50,000	50,000	377,306	327,306
Other	93,456	23,962	83,000	59,038
Total Non-Operating Expenses	<u>143,456</u>	<u>73,962</u>	<u>460,306</u>	<u>386,344</u>
Total Expenditures	<u>1,669,168</u>	<u>280,093</u>	<u>2,394,906</u>	<u>2,114,813</u>
Receipts Over (Under) Expenditures	<u>439,931</u>	<u>(55,137)</u>		
Unencumbered Cash, January 1 As Previously Stated	(174,270)	265,661		
Prior Period Adjustment	-	(3,253)		
Unencumbered Cash, January 1 As Restated	<u>(174,270)</u>	<u>262,408</u>		
Unencumbered Cash, December 31	\$ <u>265,661</u>	<u>207,271</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Electric Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 7,193	11,746
Reimbursed Expense	12,779	-
Transfers In	50,000	50,000
Total Cash Receipts	69,972	61,746
Unencumbered Cash, January 1	29,278	99,250
Unencumbered Cash, December 31	\$ 99,250	160,996

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Sanitation Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Refuse Collection	\$ 203,903	216,028	180,000	36,028
Sewer Charges	123,006	129,746	120,000	9,746
Penalties	2,449	3,349	2,000	1,349
Uses of Money and Property				
Interest on Investments	1,640	1,966	1,000	966
Miscellaneous				
Reimbursed Expense	655	278	1,000	(722)
FEMA Funds	-	442	-	442
Employee Insurance Contribution	2,043	2,770	2,000	770
Miscellaneous	180	347	1,000	(653)
Total Cash Receipts	<u>333,876</u>	<u>354,926</u>	<u>307,000</u>	<u>47,926</u>
Expenditures				
Refuse Collection				
Personal Services	74,505	92,965	80,000	(12,965)
Contractual Services	3,719	3,897	4,600	703
Commodities	65,878	64,020	67,700	3,680
Capital Outlay	68,557	7,790	8,000	210
Total Refuse Collection	<u>212,659</u>	<u>168,672</u>	<u>160,300</u>	<u>(8,372)</u>
Sewage Treatment				
Personal Services	32,025	47,072	44,000	(3,072)
Contractual Services	3,272	12,012	3,500	(8,512)
Commodities	17,485	21,330	20,900	(430)
Capital Outlay	2,417	715	2,000	1,285
Total Sewage Treatment	<u>55,199</u>	<u>81,129</u>	<u>70,400</u>	<u>(10,729)</u>
Non-Operating Expenses				
Transfers Out	58,000	50,445	83,830	33,385
Total Expenditures	<u>325,858</u>	<u>300,246</u>	<u>314,530</u>	<u>14,284</u>
Receipts Over (Under) Expenditures	<u>8,018</u>	<u>54,680</u>		
Unencumbered Cash, January 1 As Previously Stated	20,286	28,304		
Prior Period Adjustment	-	(4,354)		
Unencumbered Cash, January 1 As Restated	<u>20,286</u>	<u>23,950</u>		
Unencumbered Cash, December 31	\$ <u>28,304</u>	<u>78,630</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Sanitation Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 1,885	2,260
Transfers In	30,000	30,000
Total Cash Receipts	31,885	32,260
Expenditures		
Transfers Out	-	22,000
Receipts Over (Under) Expenditures	31,885	10,260
Unencumbered Cash, January 1	859	32,744
Unencumbered Cash, December 31	\$ 32,744	43,004

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
 Museum Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 55,736	3,830
Fund Raisers	1,952	2,011
KHC-Projects	-	2,000
Interest on Investments	5,321	7,751
Reimbursed Expense	74	23
Total Cash Receipts	63,083	15,615
Expenditures		
Commodities	7,043	12,599
Receipts Over (Under) Expenditures	56,040	3,016
Unencumbered Cash, January 1	68,665	124,705
Unencumbered Cash, December 31	\$ 124,705	127,721

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Museum Store Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Sales and Commissions	\$ 7,224	9,034
Interest on Investments	716	804
Total Cash Receipts	7,940	9,838
Expenditures		
Supplies and Inventory	4,489	6,432
Receipts Over (Under) Expenditures	3,451	3,406
Unencumbered Cash, January 1	34,994	38,445
Unencumbered Cash, December 31	\$ 38,445	41,851

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Cemetery Trust Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	6,500	6,500
Unencumbered Cash, December 31	\$ 6,500	6,500

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Flexible Spending Plan Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 26,872	37,998
Expenditures		
Flexible Plan Premiums	28,882	31,004
Receipts Over (Under) Expenditures	(2,010)	6,994
Unencumbered Cash, January 1	4,003	1,993
Unencumbered Cash, December 31	\$ 1,993	8,987

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Special Law Enforcement Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Forfeiture Proceeds	\$ 3,490	-
Expenditures		
Commodities	6,577	4,401
Receipts Over (Under) Expenditures	(3,087)	(4,401)
Unencumbered Cash, January 1	8,713	5,626
Unencumbered Cash, December 31	\$ 5,626	1,225

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Library - General Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Appropriations from City		
Library Fund	\$ 122,833	123,550
Intergovernmental		
Grants	432	204
Uses of Money and Property		
Interest on Investments	4,259	8,405
Miscellaneous		
Fines and Fees	1,956	2,317
Contributions and Memorials	3,409	2,783
Book Sales	262	368
Miscellaneous	2,550	281
Transfers In	3,619	4,192
Total Cash Receipts	139,320	142,100
Expenditures		
Personal Services	85,977	94,117
Contractual Services	5,440	6,117
Commodities	12,547	12,127
Capital Outlay	3,123	862
Transfers Out	17,816	-
Total Expenditures	124,903	113,223
Receipts Over (Under) Expenditures	14,417	28,877
Unencumbered Cash, January 1 As Previously Stated	86,658	101,075
Prior Period Adjustment	-	(2,761)
Unencumbered Cash, January 1 As Restated	86,658	98,314
Unencumbered Cash, December 31	\$ 101,075	127,191

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Library - Capital Improvement Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2007
(With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
	<hr/>	<hr/>
Cash Receipts		
Transfers In	\$ 17,816	10,560
Unencumbered Cash, January 1	<hr/> 13,369	<hr/> 31,185
Unencumbered Cash, December 31	\$ <hr/> 31,185	<hr/> <hr/> 41,745

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Library - Flexible Spending Plan Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 9,697	6,430
Expenditures		
Flexible Plan Premiums	8,072	7,580
Receipts Over (Under) Expenditures	1,625	(1,150)
Unencumbered Cash, January 1	1,409	3,034
Unencumbered Cash, December 31	\$ 3,034	1,884

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
 Edna M. Hood Estate Bequest Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2006)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 3,619	4,192
Expenditures		
Transfers Out	3,619	4,192
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	80,000	80,000
Unencumbered Cash, December 31	\$ 80,000	80,000

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2007

1. Summary of Significant Accounting Policies

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

A. Financial Reporting Entity

The **City of Oakley, Kansas** is a municipal corporation governed by an elected Mayor and five elected council members. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The **City of Oakley, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

The following is a component unit of the **City of Oakley, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Oakley Public Library Board

The Oakley Public Library Board is organized under Kansas Statutes for the purpose of operating a public library for the benefit of the City of Oakley. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the Library. The Library Board's audited financial statements are included in the **City of Oakley, Kansas'** audit report. The Library Board does not issue a separate audit report. Contact the City Clerk for further information.

B. Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2007:

Governmental Funds

General Fund – reports as the primary fund of the City. The fund is used to account for all financial resources not reported in other funds.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2007

B. Basis of Presentation – Fund Accounting (cont.)

Debt Service Fund - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

Proprietary Funds

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Agency Funds - to account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others.

Private Purpose Trust Funds - to account for assets held by a governmental unit as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

D. Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, capital leases temporary notes, and compensated absences are not presented in the financial statements.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2007

E. Accounting for Capital Assets and Depreciation

The City does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

F. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds and the following special revenue and enterprise funds:

Equipment Reserve Fund, Capital Improvement Fund, Water Reserve Fund, Electric Reserve
Fund, Sanitation Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2007

H. Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the summary of cash receipts, cash disbursements and unencumbered cash.

As of December 31, 2007, the City had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no other policies that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2007. All deposits were legally secured at December 31, 2007.

At December 31, 2007, the City's carrying amount of deposits was \$3,687,207 and the bank balance was \$3,688,406. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$304,775 was covered by federal depository insurance, \$3,383,631 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

I. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

J. Property Tax Calendar

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major property tax payments are received January through July and are recognized as revenue in the year received.

K. Restricted Assets

These assets consist of cash and short-term investments restricted for Agency Funds.

L. Compensated Absences

The City allows employees to accumulate a maximum of 12 days of sick leave per year based upon the anniversary of their employment. No employee may accrue more than 120 days of sick leave. An employee will not be paid for unused sick leave upon termination for reasons other than retirement or death and will be paid only if the employee has been employed for ten years or longer. The maximum benefit paid for eligible employees is one-third of total accumulated leave. As of December 31, 2007 the cost of accumulated sick leave has been calculated at \$153,303.

The City allows a maximum of 10 days paid vacation for full-time employees for each year for the first 10 years of employment with a maximum of 20 days accumulation. For each year after 10 years, an additional day of vacation is added up to 20 years. Employees may accumulate twice the yearly vacation allowance up to a maximum of 40 days. Upon termination, employees will be compensated for all earned but unused vacation. The City's maximum potential liability under the plan at December 31, 2007 has been estimated at \$42,294.

M. Defined Benefit Pension Plan

Plan Description – The **City of Oakley, Kansas** participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by the statute for calendar year 2007 is 5.31%. The **City of Oakley, Kansas** employer contributions to KPERS for the years ending December 31, 2007, 2006, and 2005 were \$36,565, \$27,274, and \$28,054, respectively.

N. Deferred Compensation Plan

City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

O. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2007

O. Other Post Employment Benefits (cont.)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the City for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program

2. Landfill Closure and Postclosure Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The current year expenditures relating to the operation in the landfill, are provided in the Sanitation Utility Fund in these financial statements.

The City's estimate of closure and postclosure care liability at year end would be \$88,954. This liability is based on the use of 6.22% of the estimated cost of closure and postclosure care of \$1,434,742 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. The City expects the landfill to continue to operate for approximately 15.1 years. Actual costs may be higher due to inflation, changes in technology or in regulations. The City has not restricted any of its assets for payments of closure and post closure care costs.

The City is meeting the financial assurance requirements through the Local Government Financial Test. This test involves our components: financial, public notice, recordkeeping and reporting, and calculation of costs to be assured. The City has satisfied all four requirements.

3. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for December 31, 2007 were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>2007</u>
General - Government	Capital Improvement	K.S.A. 12-1,118	\$ 2,500,000
General - Government	Special Highway	K.S.A. 68-590	73,000
Electric Utility	Electric Reserve	K.S.A. 12-825d	50,000
Sanitation Utility	Equipment Reserve	K.S.A. 12-1,117	20,445
Water Utility	Water Reserve	K.S.A. 12-825d	15,000
Sanitation Utility	Sanitation Reserve	K.S.A. 12-825d	30,000
Water Reserve	Bond & Interest	K.S.A. 12-825d	40,000
Sanitation Reserve	Bond and Interest	K.S.A. 12-825d	22,000
TOTALS			<u>\$2,750,445</u>

Component Unit Operating Transfers

Edna M. Hood Estate Bequest	Library-General	K.S.A 79-2925	\$ 4,192
Library-General Fund	Library-Capital Improvement	K.S.A 12-1258	10,560
TOTALS			<u>\$ 14,752</u>

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2007

4. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Litigation

The City is party to various legal proceedings such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

6. Risk Management – Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto and fidelity bond coverage.

The City does not carry comprehensive collision insurance on all motor vehicles. The City has elected not to provide for a reserve on this risk.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2007 the financial statements do not include liabilities for anticipated costs.

7. Grants and Shared Revenues

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

8. Comparative Data

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2007

9. Compliance with Kansas Statutes

Expenditures exceeded the adopted budget in the following funds which is in violation of K.S.A. 79-2935.

General Fund	\$ (21,197)
Convention and Tourism Fund	\$ (357)
Water Utility Fund	\$ (2,623)

Expenditures exceeded available monies in the following fund which is in violation of K.S.A. 10-1113.

Employee Benefits Fund	\$ (870)
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10. Long Term Debt

The City has the following types of Long-Term Debt:

General Obligation Bonds – The City issued General Obligation Bonds to provide funds in order to construct a main sewer line, to install a water line and to construct a main sewer extension.

Lease Obligations - The City has entered into lease agreements with an option to purchase at the expiration of the lease term. The leases contain a fiscal funding clause.

Changes in long-term liabilities for the City at December 31, 2007 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on the next two pages.

11. Prior Period Adjustment

The following fund had a prior period adjustment to reflect the accrued payroll charged to the December 31, 2006 unencumbered cash balance which are deemed material:

Fund	Unencumbered Cash	Prior Period Adjustment	Restated Unencumbered Cash 12/31/06
General	2,544,579	(20,772)	2,523,807
Special Highway	16,403	(2,929)	13,474
Water Utility	90,617	(3,882)	86,735
Electric Utility	265,661	(3,253)	262,408
Sanitation Utility	28,304	(4,354)	23,950

CITY OF OAKLEY, KANSAS

Schedule of Changes in Long Term Debt
For the Year Ended December 31, 2007

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bond Series 1999	5.45%	07/15/99	\$ 985,000	07/01/20	765,000	-	(40,000)	(40,000)	725,000	41,376
General Obligation Bond Series 2003	4.42%	02/20/03	121,000	12/01/18	110,000	-	(5,000)	(5,000)	105,000	4,831
Capital Leases										
Fire Engine Pumper	4.99%	06/06/02	130,354	06/06/07	14,528	-	(14,528)	(14,528)	-	362
Trash Truck	5.30%	08/12/02	103,015	08/12/08	38,317	-	(18,659)	(18,659)	19,658	1,786
Total Capital Leases			233,369		52,845	-	(33,187)	(33,187)	19,658	2,148
Total Contractual Indebtedness			1,339,369		927,845	-	(78,187)	(78,187)	849,658	48,355
Amount to be Provided for Compensated Absences	N/A	N/A		N/A	199,875	-	-	(4,278)	195,597	-
Total Long Term Debt			\$ 1,339,369		1,127,720	-	(78,187)	(82,465)	1,045,255	48,355

CITY OF OAKLEY, KANSAS
Schedule of Maturity of Long Term Debt
For the Year Ended December 31, 2007

	YEAR							
	2008	2009	2010	2011	2012	2013-2017	2018-2022	Total
Principal								
General Obligation Bond - Series 1999	\$ 45,000	45,000	50,000	55,000	55,000	320,000	155,000	725,000
General Obligation Bond - Series 2003	5,000	10,000	10,000	10,000	10,000	50,000	10,000	105,000
Capital Leases	19,658	-	-	-	-	-	-	19,658
Total Principal	69,658	55,000	60,000	65,000	65,000	370,000	165,000	849,658
Interest								
General Obligation Bond - Series 1999	39,050	36,530	34,055	31,480	28,620	96,120	12,690	278,545
General Obligation Bond - Series 2003	4,570	4,310	3,790	3,440	3,065	9,045	470	28,690
Capital Leases	787	-	-	-	-	-	-	787
Total Interest	44,407	40,840	37,845	34,920	31,685	105,165	13,160	308,022
Total Principal and Interest	\$ 114,065	95,840	97,845	99,920	96,685	475,165	178,160	1,157,680